

**ENERGY AND SECURITY IN TRANSCAUASIA**

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## **FOREWORD**

One of the world's enduring regional conflicts is in Nagorno-Karabakh. This war pits local Armenians and their cousins from Armenia against Azerbaidzhan and has enmeshed Russia, Turkey and the Western allies (France, Great Britain, and the United States) in a complex series of regional relationships. The international stakes of this war involve the control over exploration for natural gas and oil and the transhipment of these commodities from Azerbaidzhan to the West. Energy resources represent Azerbaidzhan's primary means of economic modernization and are therefore vital to its economic and political freedom.

For Russia and Turkey the question is one of access to enormous amounts of desperately needed hard currency and control over a long-standing area of contention between them. More broadly, Russia's tactics in attempting to impose a peace settlement in the war and to establish control of a large share of the local energy economy represent a recrudescence of the imperial tendencies in Russian policy that are incompatible with democratic reform. Accordingly, this war is overlaid with international rivalries of great scope and of more than regional significance. Western policy here is a sign of U.S. and European intentions to preserve the post-Soviet status quo while Russian policy is no less illustrative of the direction of its political evolution.

The Strategic Studies Institute hopes that this study will clarify the links between energy and regional security and that it will enable our readers to assess regional trends and their importance for the United States, its allies, and the Commonwealth of Independent States.

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#### **BIOGRAPHICAL SKETCH OF THE AUTHOR**

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## SUMMARY

With the collapse of the Soviet Union, new states, regions, and security issues entered into international affairs. One of these regions is the Transcaucasus or Transcaucasia. It comprises Georgia, Armenia, and Azerbaidzhan and is a zone of centuries-old international rivalry between Turkey and its supporters and Russia and its friends. At stake today is the international economic life, and thus the politics, of Transcaucasia. This rivalry now engages Turkey, the United States, Great Britain, and France against Russia in the struggle to control (or at least leverage) Azerbaidzhan's energy exploration and pipeline programs. This competition interacts with the international effort to bring about peace in the Armenian-Azerbaidzhani war over Nagorno-Karabakh. (See Figure 1.)



Figure 1. Azerbaidzhan.

Thus, in Transcaucasia energy or economic issues and security are closely linked; almost indistinguishable. This study examines that linkage. It relates Russia's efforts to impose a peace on the area to its aim of securing a stake in the local energy economy. Russia's stated goal of 10-20 percent of the revenues from that energy is wildly disproportionate to its economic investment (which is nil). But Russian policies reflect its tactics and strategies for reintegrating the former Soviet space.

At the same time, this assessment of Russian and international efforts to gain influence is conducted in the context of Azerbaidzhan's efforts to escape unilateral dependence upon Russia by involving Western firms and governments, and Turkey's efforts to keep Russia from gaining hegemony over Transcaucasia. By tracing the complex international maneuvers of the parties, and relating energy and economics to defense and

security issues, we can see the strategic issues and importance of the area in a clearer context.

What then becomes clear is that Russia seeks to coerce Azerbaijan, Georgia, and Armenia into a return to some form of economic-military-political union under its auspices, but is meeting considerable political opposition from Baku, Ankara, and the Western powers. This opposition recently led Russia to issue a demarche to Great Britain (significantly not to Azerbaijan) concerning its rights to veto anything having to do with the disposition of the energy resources of the Caspian Sea that borders Azerbaijan and Kazakhstan. This demarche validates Western reports of Russia's belief that it has a proprietary relationship to energy resources throughout the Commonwealth of Independent States (CIS) and of its efforts to "blackmail" (*The Washington Post*'s word) the new republics into surrendering control over those resources to Russia. It also illustrates that Russia still believes in the diminished sovereignty of Transcaucasian and Central Asian states.

However, Russia's demarche and other actions also reflect its weakness when confronted by steadfast Western opposition to its neo-colonialist policies. The claims it makes on Azerbaijan and its Western supporters reflect that weakness and the fear that Western influence might supplant Russian influence in these borderlands. While the local situation is one of unresolved war and Russian efforts to impose a one-sided settlement, the great strength residing in the Western position (should the West seek to engage both Russia and the other CIS members in a comprehensive engagement) is also visible.

## ENERGY AND SECURITY IN TRANSCAUASIA

Since 1993, a three-way struggle for control of all phases of the production of Transcaucasia's energy resources has become a key factor in international politics. The three sides are Russia, Azerbaijan (the sole regional oil producer), and international oil firms backed by their governments. This struggle will shape Transcaucasia's economic and political future; therefore, the stakes are vital to the region's states and their neighbors.

Today, as it did previously, Moscow consciously uses control of oil and gas as a weapon, attempting to force Ukraine, the Baltic states, and Belarus into economic integration and political unity with or submission to Russia.<sup>1</sup> The use, or threatened use, of an energy cutoff began in 1990 when Mikhail Gorbachev employed this weapon in the Baltic states to compel their subjection to Moscow. Energy is now both the stakes and a weapon in what amounts to a policy of economic warfare that is part of Russia's larger strategy. Other energy producers and/or energy consumers are, in turn, resisting Russian efforts in this area. That resistance is also part of the warfare. Analyzing regional energy issues lets us trace the struggle between Russia's imperial reach and the new states', especially Azerbaijan's, capacity for autonomy.<sup>2</sup>

Russia is also obviously motivated by the lucrative possibilities implicit in being a key player in all aspects of the energy business, e.g., by redirecting the energy trade flows of the other post-Soviet republics in Transcaucasia and Central Asia back to it and its transport network. Indeed, in January 1994, Premier Viktor Chernomyrdin announced Russia's interest in joining the Organization of Petroleum Exporting Countries (OPEC), only to retract that statement later.<sup>3</sup>

Any Russian entry into OPEC before Russia consolidated control over its neighbors' energy economies would make it more difficult to attain that control, since they too would then have a case for entering OPEC. Furthermore, if Russia can gain that control over them before joining OPEC, its power inside that organization would grow considerably as would its ability to play a monopolist's or oligopolist's role as the hegemon of the Commonwealth of Independent States' (CIS) energy economy.

In line with efforts to consolidate Russia's preeminent position in regional energy economies, Russian Energy Minister Yuri Shafranik stated his intention of furthering preexisting energy cooperation with Iran in April 1994. That strategy is also part of a larger policy dating back to Gorbachev's opening to Iran in 1987. Today the strategy comprises arms sales to Iran and support for it in the Gulf in return for Iranian moderation vis-a-vis the Muslim republics of the CIS, including Azerbaijan.<sup>4</sup> Shafranik's statement also came just when reports of Moscow's interest in easing the embargo against Iraq began

circulating. Russian commentators, like Valery Lipitskiy in *Nezavisimaya Gazeta*, now openly contend that Arab states should invest in Russian oil to prevent a Western "takeover" of those assets and concomitant decline of OPEC. They also recommend that the Arabs should buy Russian arms.<sup>5</sup> Therefore, a deal with Iraq or other OPEC states may be brewing behind the scenes even as Russian pressure to control the energy resources of other CIS states grows.

What also makes this complex international rivalry important is that for Russia, Azerbaidzhan, Kazakhstan, and Turkmenistan, exportable energy resources are the main, if not only, path to the world economy and to hard currency resources necessary for future investment and development. Control over energy is indispensable to those states' future economic strategies because it means control over their economic and political destinies.<sup>6</sup> That also holds true for states like Uzbekistan whose wealth lies in cotton and gold. Since the existing Central Asian pipelines and those under consideration either go through Transcaucasia and Russia or might go through these areas in the future, control over the pipelines vitally affects not only Azerbaidzhan but Central Asia as well.

Thus, here the traditional struggle for markets is itself a major factor in interstate rivalries. The continuing local economic warfare interacts with more general conflicts, including wars, across these regions. The belief that, "Indeed, if carefully articulated, Russian interests will find broad support (in the West) because few people have any great interests in generating more 'great games' between East and West or between North and South" is unfounded, naive and misleading.<sup>7</sup> Russia's recent policies here show that it rejects that perspective, thus compelling other states to respond accordingly. As Andranik Migranyan, an advisor to President Yeltsin, recently wrote,

Russia faces numerous problems, both abroad and with other newly independent former Soviet republics. It cannot afford to be constrained when its own interests do not coincide with NATO's or with those of the Partnership for Peace.<sup>8</sup>

In other words, as far as the republics of the CIS and Transcaucasia are concerned, Russia demands a free hand. Therefore, a classical realist perspective that sees states colliding in pursuit of incompatible vital interests is more useful and relevant for analyzing regional trends.

In Transcaucasia (Figure 2) an intense struggle is already underway. Armenia, Nagorno-Karabakh and Azerbaidzhan are at war over its former province. Georgia is racked by two ethnic uprisings in Abkhazia and South Ossetia. The North Caucasus, technically within Russia, is pervaded by real or only temporarily dormant ethnic conflicts among the Chechens, the Ingush, and the North Ossetians. As an overarching international



**Figure 2. Transcaucasia.**

motif above and beyond these local conflicts, Russo-Turkish rivalry over energy, military issues, territorial competition, and security from the Balkans to Tadzhikistan is intense and long-standing. Turkey not only feels menaced by Russian imperial revival near its borders; it also believes that it has been abandoned by the West.<sup>9</sup> Open economic warfare and international political rivalries of great scope and diversity thus coincide with purely military conflicts along the southern borders of Russia and the CIS. In Transcaucasia, energy, economic, political, and military interests are inextricable.

Energy exports to the West remain the primary source for hard currency in the Soviet and post-Soviet economy and are vital to CIS economic reconstruction and foreign economic integration. Thus, control over all phases of energy production is fundamental in shaping domestic and international linkages. Energy exports are vital to the economic and political freedom of the non-Russian members of the CIS. Once Azerbaidzhan became independent, other states seeking influence over these resources jumped into the fray to control them from production to market. By 1993, this struggle over energy resources and pipelines had become a basic feature of international politics and rivalries, linking local struggles over land and nationality, as in Nagorno-Karabakh, with control over energy.<sup>10</sup> Today, Turkey, Iran, the United States, Great Britain, and France are rivals with Russia in a complex struggle for control (or leverage over) those resources. For example, British Petroleum (BP) led the lobbying effort against U.S. aid to Azerbaidzhan in its war with Armenia over Nagorno-Karabakh to prevent Washington from dominating in Baku. But BP is hardly alone in the game.

#### **The Background to the Struggle.**

The Nagorno-Karabakh war began in 1988 as an Armenian-Azeri struggle of that province's largely Armenian population for autonomy and then independence from Azerbaijan. The Soviet government did not precipitate the conflict or directly stoke the nationalist furies that now prevail there. But since 1990 the governments of Mikhail Gorbachev and of Boris Yeltsin have sought to exploit the conflict either to preserve the USSR or now to enhance Russia's regional strategic position.<sup>11</sup> Today, the main international issue behind the scenes of this war is no longer who controls the territory, but rather who controls Azerbaijan's oil production and pipelines. This struggle mainly pits Russia and perhaps Iran against Azerbaijan and Turkey.<sup>12</sup> Russia's campaign to intimidate and subvert independent states in Transcaucasia arguably began in March 1992 when Turkey proposed a territorial solution to end this war that gave it unmediated access to a direct pipeline from Turkmenistan that bypassed and excluded regional Iranian and Russian influence.<sup>13</sup> The plan was vital to Turkey's grand design for a leading role in the Caucasus and Central Asia, and for its own economy, because of the pipeline's capacity for oil shipments.<sup>14</sup> Its annual capacity of 40 million tons far exceeds Azerbaijan's capacity.

Azeri oil production over the next few years is not expected to exceed 25 million tonnes per year. The extra capacity has been incorporated into the pipeline to attract oil transportation demand from Central Asian countries, mainly from Kazakhstan.<sup>15</sup>

The pipeline would integrate Turkey, Azerbaijan and Central Asia into a single economic and political network excluding both Russia and Iran, a solution that Russia finds intolerable.

The key players' major strategic objectives are easily discernible; Turkey's is economic integration with Azerbaijan and Central Asia through this pipeline, Azerbaijan's is integrity and independence, and Russia's is a permanent and uncontested strategic primacy in regional politics, economics, and overall security. This is because Russia discerns a need to preempt potential strategic threats that might come directly from the south or through the countries on Russia's periphery. In military terms, the construction of border infrastructures and fortifications along the new interstate boundaries is beyond Russia's means. It seeks, therefore, to perpetuate a condition where the CIS borders remain, in effect, those of Russia. Thus Russian border troops remain on the old Soviet international borders. Russia also seeks to deny Iran, Turkey, and China any direct territorial influence to its south because it fears either Pan-Turkism, Muslim fundamentalism (by which it means a politicized Islam), or any influence that might accrue to an outside state that may mediate any of the conflicts in the Caucasus or Central Asia.

Precisely because there are armed ethnic or civil conflicts taking place in Chechnya and in Georgia, should the Nagorno-Karabakh war expand and bring in Turkey, Russia fears that the entire North Caucasus and Transcaucasia would be engulfed in an anti-Christian, i.e., anti-Russian war. This fear also exists should Iran play the leading foreign role and these conflicts be combined with potential nuclear, chemical, or biological warfare. If these conflicts spread, then the Russians living in what then will be war zones will be at risk. This issue then becomes of paramount domestic political saliency and Russia cannot appear indifferent to these Russian conationals.

Russian elites generally pose these threats as objective factors along with certain geopolitical imperatives pertaining to the entire southern CIS periphery. They assert that these countries cannot create stable polities and/or economies without Russia. Objectively, they need Russia more than Russia needs them. Russia has vital interests and a sphere of vital influence (there is no reticence about using this term) here and will do what it deems necessary regardless of outside criticism. Russia has been subsidizing these states for some time with energy supplies of finished products and refined energy purchased at prices below those of the world energy market and now demands marketization and fair price or payment for its unilateral mediation of their conflicts. Thus Russia perceives itself alone as the arbiter and peacekeeper or regional stabilizer. As we shall see, the logical implication of these strands of geopolitical thinking is the diminished sovereignty of these states to Russia's south as they are "integrated" into an economic, military, and political union. Threat perception merges with, and justifies, a policy of imperial nostalgia that can only be paid for by control over the new states' energy resources.<sup>16</sup>

Inevitably, Russia's new definition of national interest and mission is incompatible with efforts by Azerbaijan or Kazakhstan to use their energy resources as a means of integrating with the West rather than Russia. Nor does Russia accept that international fora like the CSCE's Minsk Group, that was set up to negotiate an end to the Nagorno-Karabakh conflict and is comprised of Russia, Turkey, and the United States as principals and the CSCE as the main organization behind these interlocutors, should play the principal role in mediating a political solution and controlling peacekeepers. Under conditions of multilaterally negotiated accords, Azerbaijan and its sister states, Kazakhstan in energy and Armenia in politics, would then elude exclusive Russian hegemony or control. Since Russian security policy, following the Soviet tradition, regards the borderlands, if not under Russian control, as advanced bases for a Western threat to Russia, Azerbaijan's efforts in 1992-93, under the leadership of the anti-Russian Abulfaz Elchibey, to establish links with Turkey were regarded in Moscow with open suspicion. But the Nagorno-Karabakh war and Azerbaijan's poor performance there has provided Moscow with the means to exploit local instability for its own geopolitical benefit.

When the Elchibey regime signed an accord with Turkey in March 1993 to organize the pipeline from Baku to Ceyhan on the Mediterranean, it probably sealed its fate with Russia.<sup>17</sup> Elchibey was scheduled to fly to London in June 1993 to sign contracts for a pipeline route through Armenia rather than Iran, as preferred by the United States and Great Britain (the leaders of the Western consortium that would find and ship the oil) and Turkey, Elchibey's ally. Using that route meant ending the war and a territorial settlement, possibly along the lines stated above. But Armenia told Elchibey that neither of them would be allowed to adopt that line. Since Nagorno-Karabakh was unhappy with the projected peace conditions offered by the CSCE and Azerbaidzhan did not like the Western version of the route through Armenia, the delay offered Elchibey's opponents, i.e., Russia and Armenia, an opportunity to act.<sup>18</sup>

According to Elchibey's Secretary of State, Ali Kerimov, Russia demanded that Baku agree to exclusive Russian presence as peacemakers in Azerbaidzhan in return for all the territories captured by the Armenians. Elchibey refused and was soon deposed in a coup that had many Russian fingerprints on it.<sup>19</sup> Armenian troops from Karabakh then attacked areas of Azerbaidzhan intended for the pipeline (whether they did so to disrupt the oil or because these lands had other intrinsic strategic value cannot be determined) and Geidar Aliyev, the new leader in Baku, was obliged to apply for membership in the CIS, something Elchibey had spurned to Russia's discomfiture.<sup>20</sup>

Since the Western and Turkish-backed 1992 plan had been drawn up by a former State Department expert on nationalities, Paul Goble, it appeared to Moscow that Washington stood behind Turkish designs to redraw the balance of power in the Caucasus and Central Asia.<sup>21</sup> What particularly alarmed Russia about this turn of events is that when Turkey made these proposals and moved boldly into the CIS' Islamic areas to assert its grand design, Russia confronted ethnic uprisings throughout the Caucasus with virtually no usable military forces.<sup>22</sup> From then on, Russia began to amass forces and leverage to become the sole and decisive arbiter of the Nagorno-Karabakh war and to defeat Turkey's grand design. This strategy had several elements. Moscow aided insurgents against an anti-Moscow Azeri government, supported the Armenian forces fighting Azerbaidzhan, and deterred, by nuclear threats, any Turkish plans to act on behalf of Baku. Moscow also strenuously sought to become the sole arbiter and peacemaker accepted by Washington, Ankara, Teheran, and the CSCE and revived the local Russian army, albeit smaller and with different force structure than before, to play that role.<sup>23</sup> The main goal is not to destabilize hostile local governments and to establish a Russian protectorate or "Monroe Doctrine" over the area. That is an intermediary objective. Rather the goal is to force local states back into a Russia-dominated state system with a lasting Russian military presence there to be paid for by Azeri oil shipments to Moscow and Russian participation in the regional

energy economy with no prior investment there. That objective does not just comprise a political-economic-military union. Rather it entails a set of relationships that are, by definition, exploitative and colonialist.

While Azerbaidzhan has continued to resist Russia's demands for bases in the guise of peacekeepers, Georgia and Armenia have had to capitulate to that demand. Moscow threatened support for insurgents who would destroy Georgia, while Armenia completely depends on Russia for energy and support against Azerbaidzhan and Turkey. Armenia and Georgia had no choice, given their internal weakness and international isolation. One factor that obliged Georgia to yield to the brutal Russian military and political demands that Georgia join the CIS or face Russian-supported Abkhazian military operations on its soil is that Georgia depends on Russia for 85 percent of its energy and was in the worst energy shape of any post-Soviet state.<sup>24</sup> Moscow combined its economic weapons with direct force to compel Georgia to surrender, adhere to the CIS and a Russian economic plan, negotiate with Abkhazia and South Ossetia over their sovereignty or autonomy within a much less sovereign Georgia, and accept Russian military bases there.<sup>25</sup> Russia seeks to tie Georgia more firmly into its orbit even as Georgia now pursues energy independence from Moscow by diversifying its supply network. One cause for Moscow's policy is that Georgian pipelines and routes offer a convenient way to reduce the cost of shipping energy from Azerbaidzhan and Central Asia (and control local oil flows).<sup>26</sup>

Georgia's case highlights the importance of pipeline routes. But it also shows that international aid and the ability to resist Russian encroachments are decisive factors in maintaining energy and overall independence for the CIS states. Baku has hitherto successfully resisted Russian demands for troops. Baku knows that if the Russian troops enter and the Armenian-Karabakh forces vacate Azerbaidzhan, it still does not recover its lands or Nagorno-Karabakh. Without recovering its lost territories and a pledge of international peacekeepers, Baku is unlikely to accept Russian proposals or "arm-twisting." Aliyev's nimble diplomacy, backed by foreign support and an indigenous, but weak, army, has so far allowed Baku to act in this way.

#### **The Pipeline Issue.**

Although the Elchibey government's 1993 contract with a British-U.S. consortium to develop its oil fields still exists, it has yet to be finalized due to several outstanding problems. One major problem is the means of transport. Russia wants the pipeline to go through Novorossiisk and the Black Sea and then to Europe. Turkey seeks to obstruct tankers' passage through the Black Sea by invoking the 1936 Montreux Treaty and citing ecological and health dangers to Istanbul and its coast.<sup>28</sup> Russia dismissed those arguments, but the real issue is the destination of the oil and gas. Turkey wants to build the pipeline from

Turkmenistan through the Caspian, or Iran, Azerbaidzhan, and then to Eastern Turkey, as the 1992 plan intended.<sup>29</sup> That outcome would give Turkey predominance over the region's economy and make Armenia a landlocked Turkish satellite at the mercy of whoever controls the pipelines and the ports. Russia cannot tolerate that eventuality nor the exclusion of oil tankers or of its maritime trade from the Black Sea, due to Turkish pressure. That threat was a frequent *casus belli* and the Straits remain commercially and strategically vital.

Adding to the complexities of the situation is U.S. support of Turkish claims regarding the dangers of tankers in the Black Sea. A second complication is that Turkey's projected pipeline is regularly attacked by Kurds whom Turkey claims are supported either by Armenia or Iran. And a third factor is Russia's recent efforts to seize a percentage of Baku's expected profits from its oil.<sup>30</sup> A further complication is that major oil spills and tanker collisions in the Black Sea occurred in March 1994, strengthening Turkey's concerns over ecological dangers to its shoreline and Istanbul. These incidents, plus U.S. support, allowed Turkey to justify a unilateral decision that went into force in the summer of 1994 to revise the Montreux Treaty and impose stringent restrictions on tanker traffic in the Straits.

Facing this situation, Russia made a preliminary agreement, in bilateral talks with Turkey in April 1994, to use the overland route through Turkey and continue exporting natural gas to Turkey in return for Russian and Turkish entry into the international consortium to develop Azeri and Kazakh oil. In other words, Russia traded its insistence on a unilateral route for the oil through Russia for international acceptance of a Russian stake in the consortium.<sup>31</sup> Confidential sources in Ankara told a Russian reporter that Moscow had won U.S. assent for the Kazakh pipeline to go through Russia and thus for the Azeri pipeline that would connect with the Kazakh shipments. That assent was openly advertised in February 1994 when President Clinton told Kazakh President Nursultan Nazarbayev that the United States preferred a Russian, i.e., not an Iranian route for Kazakh oil shipments.<sup>32</sup> It also made no sense for the Western consortium developing Azeri and potentially Central Asian oil fields to pay the high transit fees Turkey demands for tanker traffic through the Straits.<sup>33</sup> However, at this time (September 1994) the agreement is not yet finalized and the pipeline through Turkey is still subject to attacks from the Kurds who have already caused major damages and costs to Turkey by previous attacks there.<sup>34</sup> Meanwhile, Russia's press and government continue, as well, to attack Turkey's policy. These threats to the oil pipeline, if not checked, inasmuch as there is no sign that Turkey can soon come to terms with its Kurds, makes the whole project doubtful.<sup>35</sup>

#### **Russian Pressure on Azerbaidzhan.**

At the same time, Russia has campaigned to force Baku to

give it 20 percent of the profits of oil exploration and sales or rewrite the contract to bring in Russian firms with the Anglo-American consortium known as SOCAR and led by British Petroleum. The difference would be that Russia would not put up any equity. Russia has also raised the linked idea of sending peacemaking forces to Azerbaidzhan, which triggers Baku's and Ankara's staunch opposition.<sup>36</sup> Otherwise Russia threatens to not mediate the war. That would, in fact, allow the Armenians to further overrun Azerbaidzhan.<sup>37</sup> The Armenians occupy about 20 percent of that state, making negotiating very difficult. Russia's tactics are reminiscent of a Mafia protection racket. But they could become effective if Azerbaidzhan were isolated politically and militarily from other states, since Turkey and Iran will not intervene unilaterally or jointly against Russia.<sup>38</sup> Because its land is occupied and its economic future nil if the war goes on or the oil projects are aborted, Baku would find it difficult, if not impossible, to reject Russian "protection" without foreign backing.

More recently Russia clarified that it not only wants permanent military bases in Azerbaidzhan, it also intends to use the oil revenues it demands for itself as tribute from Baku. Russia's former ambassador to Turkey, Deputy Foreign Minister Albert Chernyshev, made it clear that countries "hosting" Russian bases must pay for this privilege and Azerbaidzhan has nothing but oil or the collateral of future receipts with which to pay.<sup>39</sup> Economic dependency on Russia will be joined to Russia's military bases, not a viable basis for sovereignty. Azerbaidzhan's government and Parliament have duly resisted Russian "peace plans," because they remove Azeri land and resources from Baku's control and sovereignty and place Russian bases there.<sup>40</sup> All this shows that while Russia is not responsible for the war, it is exploiting it to promote clearly inequitable and even colonialist objectives.

#### **The Threat to Azerbaidzhan and Its Response.**

The absurdity of Russian claims to peacemaking here are obvious. Its diplomats talk of an Armenian-Russian alliance, its armed forces are defending Armenia from Turkey and providing it aid, and, at the same time as its government demands a percentage from Baku, it demands bases there.<sup>41</sup> However, Russian pressure on Azerbaidzhan has also awakened its international rivals in the energy contest. On his visit to London, Armenian President Ter-Petrosyan encountered a renewed British interest in the area given British oil firms' pursuit of a contract with Baku. In return for British promises not to tie political relations with Armenia to that British interest in oil, Armenia gave a detailed briefing on Russian negotiating proposals for the war in Nagorno-Karabakh. As reported by ITAR-TASS,

Problems concerning a settlement of the Karabakh conflict and Britain's relations with Azerbaidzhan were

discussed during the meetings. London is interested in Azerbaijani oil. Therefore, one of the aims of the visit was to secure that this economic aspect of the problem has no negative political consequences for Armenia and that the British government pursues a balanced policy promoting the establishment of peace, Ter-Petrosyan emphasized. Such promises were received. Moreover, Britain intends to make more active efforts in the Nagorno-Karabakh peace process in the near future, he added.<sup>42</sup>

From Ter-Petrosyan's viewpoint the problem is that Armenia gets nothing from Azerbaijan's oil while everyone else is interested in it. He, therefore, contends that peace must precede utilization of that oil abroad, the reason for foreign interest.<sup>43</sup> But he also presented a veiled threat to continue the war to prevent Baku from using the oil and, therefore, to encourage foreign states, including Russia, to intensify pressure on Baku toward that end. On the other hand, his talks also revealed Britain's interest to make peace so Baku could pursue a contract with the British-led SOCAR consortium.

This Armenian position, coupled with the linked threat of Russian intervention in Azerbaijan should the war go on, led Aliyev to diversify Azerbaijan's foreign relations during 1993-94. Over that winter he mended relations with Turkey, accepting military instructors. In February 1994, he went to London to seek British support and a more active role in framing solutions to the war. The exchange of letters with Prime Minister John Major over the SOCAR-led development of the Caspian Sea holdings gave him leverage to press for a solution so that the oil could flow and the investment actually materialize.<sup>44</sup> Evidently his promise to give SOCAR this priority, but with the participation of Russia's Lukoil firm, led to better results with London than those Armenia attained. In October 1993, while in Baku, Secretary of State for Foreign and Commonwealth Affairs Douglas Hogg stated that Great Britain viewed Nagorno-Karabakh as an integral part of Azerbaijan whose status cannot be changed by force, rather only by agreement of the interested parties.<sup>45</sup> The agreements to develop the rich "Azeri" and "Chyrag" (or Shirag or Shirak) deposits in the Caspian Sea under SOCAR's and/or BP's leadership appears to call for Lukoil to put up 10-12 percent of the costs with the consortium putting up 70 percent and Baku the rest. However, these figures are only in principle. Everything now depends on Lukoil's financial capabilities, which are unpromising.<sup>46</sup> Thus this question is not yet resolved. Lukoil might yet receive Baku's assent to develop the originally intended third field, Gyunesli, which was then taken out of the deal under Russian pressure. But that, too, depends on whether Lukoil can get either Russian state funding (the government already owed it 450 billion rubles in nonpayment for 1993 which are probably lost) or foreign sales or loans from the World Bank or foreign consortiums.<sup>47</sup>

In the meantime, Aliyev is evidently expediting the British project's formal acceptance. More recently, he personally went to Brussels to enroll Azerbaijan in NATO's Partnership for Peace program. Aliyev stated that two main goals for cooperation with NATO were integration into Western democracy and the quest for additional ways to stabilize the regional situation and end the war.<sup>48</sup> As Azerbaijan's Radio-Television network stated,

Participating in NATO's program . . . will also bring to light various complex problems in the Karabakh dispute. It will be recalled that the CSCE summit in Helsinki in 1992 discussed the possibility of using NATO's military forces in ending disputes in the CSCE countries. The proposal that was made on the matter was approved. That means that our republic's participation in NATO's program of the Partnership for Peace is essential if it wishes to safeguard and maintain its independence and if it decides to exclude itself from<sup>49</sup> the framework of other countries (CIS) in the future.

We see here the intimate linkages between international economic and political rivalries to control oil and the seemingly endless war for Nagorno-Karabakh. For example, Turkey opposes every Russian peace initiative offered to the UN's Minsk group of three approved by Resolution 882 (Russia, Turkey, and the United States) and Baku supports Ankara. Meanwhile, Russia seeks to act unilaterally and exclude the CSCE wherever possible.<sup>50</sup> Russia also hosted a one-day conference on the Kurdish question, Turkey's *bête noire*.<sup>51</sup> The Kurds have frequently attacked the pipelines in Eastern Turkey and say openly they will do so again. At the same time there are charges that Russia and Armenia support them.

Turkey and the Kurds thus openly link the Kurdish question to Turkey's energy relations with the Caucasus and Central Asia.<sup>52</sup> Any linkage of the Kurdish question to already difficult Russo-Turkish relations concerning oil and Turkey's policy in the CIS can only further aggravate them. Any further such linkages of oil and vital security issues or Armenian-Russian attempts to undo Azerbaijan's sovereignty or integrity could drive Turkey, already beset by high levels of domestic agitation for entry and internal crisis, into a conflict with Russia.<sup>53</sup>

Although the Turkish government and military do not want such a war, they repeatedly reiterate that there are limits to their patience which are being severely tested. But despite Turkish forbearance to date, Russian military opinion is obsessed with the Turkish "threat" in the Black Sea and Transcaucasia. Indeed, Russia's premier military journalist, Pavel Felgengauer, has publicly written a scenario showing the military's perspective on just such a conflict with Turkey.<sup>54</sup> Russia threatened Turkey with nuclear weapons in 1992 and would probably do so again if it felt Turkey might move into Transcaucasia.<sup>55</sup> Turkey is a NATO member and might invoke Article V of the

Washington Treaty if its forces are attacked by Russia. While nobody wants war and an ultimate scenario of a Russo-Turkish war is perhaps farfetched, it is not utterly inconceivable that both sides might miscalculate the other's aims. Indeed, a regional crisis with serious international implications already exists. Certainly the Russian military shows much paranoia over Turkish policy in the Black Sea and the CIS.<sup>56</sup>

### **The International Struggle for Oil and Pipelines.**

It is, therefore, worth tracing in detail the complex relations between energy and security in this region that developed in 1993-94 and uncovering the linkages to international oil rivalries and high politics. Russian pressure in 1993-94 led Azerbaidzhan to reduce its projected Western partners' original share. Russian collusion in the coup that unseated Elchibey preceded steady pressure to grant Russia a 10 percent share even though it put up no equity. In addition, the original three oil fields became two, SOCAR's 30 percent of profits became 20 percent,<sup>57</sup> and a quarter share in each field was reserved for Russia.<sup>58</sup> Russia, with no equity, hoped to receive at least 10 percent of the Azeri and Chirag fields in the Caspian Sea, if not 20 percent of fields whose estimated worth is \$108 billion in oil, though it is not clear whether that means from profits or from gross receipts.<sup>59</sup> This apparent trend away from the West alarmed the consortium members who then demanded guarantees that political unrest would not lead to the contract's termination once it was signed.<sup>60</sup> But through early 1994 Baku refused to go to a final accord with its Western partners. So in early 1994 they sent Baku an ultimatum stating that if there is no clear answer by the spring of 1994 they would leave.<sup>61</sup> This pressure, Western support for a solution that did not include only Russian peacemakers, and Aliyev's insight into Russian aims probably contributed to the turnaround in Azeri policy to limit Russian participation and make Moscow pay for its oil investment.

Azeri, Western, and Russian sources all concurred that Russian pressure is linked to Moscow's notion that it can recover Azerbaidzhan's lost territories in return for this 20 percent.<sup>62</sup> Russia also considers the establishment of a CIS fuel bank with Ukraine and Kazakhstan to be the desirable form of financing the operation in the CIS. One member of Russia's Energy Ministry delegation that held talks with Baku in November 1993 told Radio Turan in Baku that, "this event can be qualified as a step towards the creation of the united organization of oil producing republics of the former USSR under the umbrella of Russia, which will be analogous to OPEC."<sup>63</sup> If this is Russia's aim, and there is no reason to doubt it, future Russian entry into OPEC would make it a powerhouse there and overshadow most, if not all, of its members. It also would be a giant step towards reuniting CIS economies under Moscow's centralized control in an undemocratic economy.

Azerbaidzhan perfectly understands these stakes but it has had little room to maneuver freely without Western support. It held off signing the final accord with Lukoil (Russia's company) in December 1993. Aliyev then went to Paris and approached President Francois Mitterand and his government about the possibility of Elf Aquitaine or a consortium led by it investing in Azerbaidzhan.<sup>63</sup> That was in addition to his talks with Turkey, London, emissaries of the U.S. Government, and NATO.

But Moscow, too, perfectly understands Azeri policy. Even before Shafranik came to Baku in late 1993, Turan radio cited "a reliable source" in Moscow that Armenian generals, along with Russian troops in Armenia, were developing a plan to seize the oil and gas pipeline running through Northwest Azerbaidzhan. Seizing railway and pipeline networks would enable Armenia to secure Nagorno-Karabakh's independence. Regular Russian shipments of arms to Armenia (also reported in a later broadcast) are intended, it would seem, to turn the Armenian and Karabakh armies into Moscow's instruments for bringing Azerbaidzhan to its knees. This is exactly as happened in Georgia where Russian support for Abkhaz rebels, in violation of a cease-fire Moscow had negotiated and guaranteed, achieved the same result.<sup>64</sup> Indeed, Turan Radio discerned a pattern of launching Armenian offensives whenever Baku balked at Russian demands, e.g., a 12-mile fishing zone, and the insertion of peacemaking forces into Azerbaidzhan. At that time, Armenian forces seized the Zangelanskiy region, frustrating Turkey's hope for a future Baku-Mediterranean pipeline.<sup>65</sup> These Azerbaidzhani perceptions will certainly color their understanding of Russian policy and objectives in the area.

Russia does not only demand a share of Azerbaidzhan's oil economy. Nor does it only threaten to adopt a pose of disinterest while more Armenian offensives take place. As it has done in Georgia, it demands permanent bases in Azerbaidzhan and joint Azeri-Russian border patrols, particularly as the Armenian forces have reached the border with Iran. Russia ties this demand to ending the war "under rigorous compliance with international norms—the guarantee of territorial integrity and the immutability of republic borders."<sup>66</sup> Thus Russia demanded 20 percent of the oil deal in return for recovering Nagorno-Karabakh but threatens further Armenian offensives if Baku does not yield. Then it upped the ante by demanding the stationing of forces in the republic and on its foreign borders, realigning them with Soviet borders. The alternative is that Russia will not assure Azerbaidzhan's integrity, or help it regain formal control over Nagorno-Karabakh.

Moscow also spurned collaboration with the United States and Turkey, i.e., it rejected the CSCE's mediation through the Minsk group. It now negotiates unilaterally or with Iran whose friendship it has sought since 1987.<sup>67</sup> Every state here seeks good relations with Iran. Armenia depends on Iran for natural gas and trade, Azerbaidzhan seeks good relations with Iran fearing pressure on the detached province of Nakhichevan and a blockade

of it. Iran, for its part, opposes the return of Russian troops to the border. That is one reason why Baku resists the idea of Russian forces.<sup>68</sup> Russia not only fears Iran's potential for stirring up an Islamic fundamentalist crusade, it also needs Iran as an arms buyer. Finally, Russia is anxious to keep Iran from intervening on behalf of Baku against Armenia (and perhaps thereby securing Baku's gratitude in the form of oil and pipeline contracts).<sup>69</sup> Thus, while Moscow seeks and has signed a treaty of "strategic partnership" with Teheran (the phrase is Foreign Minister Kozyrev's), it is not anxious to see Iran expand into what Russia regards as its exclusive sphere of influence.

These machinations clarify the international and regional dimensions of the struggle among the players and the links to energy. But not only regional actors are active. The British, Turkish, and U.S. Governments also clearly have had something to say about current regional trends. We already saw Britain's reply to Armenia in its effort to secure BP's contract and its position on the fate of Nagorno-Karabakh. When Hogg visited Baku in October 1993, Aliyev saw the delegation's BP executives. Hogg stressed that BP's operations are highly valued, as well as the great British interest in Azerbaidzhan, and London's position on the war. Should Russian troops return as peacemakers, Western peacemaking forces could join them, thus opposing Russia's unilateral efforts to interpose itself there. Baku dismissed such talk as premature.<sup>70</sup> But it probably made sure this reached Moscow and used British support to stall off Lukoil and limit its investment.

Thomas Simons, the former U.S. aid coordinator to the CIS' members, told Aliyev that Washington too was "far from indifferent" to Azerbaidzhan now that it was pledged to democratic reforms in economics and human rights. But, in 1993, aid to Azerbaidzhan depended on lifting the blockade on Armenia and Nagorno-Karabakh and on a lasting cease-fire. Those acts would induce Congress to allow humanitarian aid (and overcome BP). That is, without democratization by Baku, President Clinton's hands were tied.<sup>71</sup> This effectively put the United States out of the running in Baku for the moment so Aliyev further cultivated his British ties. In January 1994, *The Independent* reported British approval for military backing of Baku via mercenaries and arms supplies, also involving Turkey and based in Turkish Cyprus which is not affected by an arms embargo on Azerbaidzhan. Though London denied the charges, the report's confirmations seem to override the denial. It charged that Baku was willing to pay up to 150 million pounds (about \$240 million) mainly in oil. A U.S. oil firm was supposedly paying for American ex-military personnel to train Azeris.<sup>72</sup> Baku also hired Afghan mercenaries,<sup>73</sup> who apparently helped improve the quality of its forces.

Then there is the Turkish connection. According to Prime Minister Tansu Ciller, Turkey has given aid of \$1.5-2 billion to Azerbaidzhan since it became independent as part of a larger aid

program.<sup>74</sup> While Turkey sees itself as a player in the Balkans, Black Sea, Middle East, Caucasus, and Central Asia; it is acutely aware that all these regions are enmeshed in simultaneous and ongoing crises. These crises threaten to encircle Turkey which thus cannot remain aloof.<sup>75</sup> Many of them involve oil. Turkey apparently has agreed with Azerbaidzhan to construct a pipeline between Baku and its Mediterranean port of Ceyhan with the route to be filled in later. Turkey will accept a Russian route if the terminus remains in Ceyhan.<sup>76</sup> But it repeatedly has had to warn Armenia and Russia that it cannot accept Azerbaidzhan's dismemberment and that its patience is limited.<sup>77</sup> Foreign Minister Cetin regards Armenian occupation of Azerbaidzhan as the same thing Iraq did to Kuwait, and Turkey will reject any unilateral stationing of Russian forces there.<sup>78</sup> Ciller has often told Russia that it must cooperate with Turkey to end this war.<sup>79</sup> Turkey also seeks to link its Azeri pipeline with opening Iraq's pipelines through Yurmutalik and establishing independent transit of energy to and from Ukraine to help free it from dependency upon Russia.<sup>80</sup> Thus Turkey is a major partner in efforts to link Ukraine's projected Odessa oil transshipment terminus with Europe, a plan that allows Ukraine to meet its own oil needs and ship large amounts of energy to Europe. This partnership also accords with the geopolitical benefits for Turkey of a Ukraine that can resist Russian pressure in the Black Sea.<sup>81</sup>

Turkey hopes to find a new source of energy from both Azerbaidzhan and Central Asia that is independent of Russia and to gain fees from engineering and consulting on the pipeline construction along with transit fees. It also sees energy as the means by which its merchants and businessmen can promote these republics' integration with the world economy.<sup>82</sup> But, insofar as it is plagued by its own domestic economic shortcomings, the unresolved Kurdish issue, and Russian opposition to it in Europe and Asia, Turkey cannot be too active an economic-political barrier to Russian advances in the south.<sup>83</sup> Nor is its military eager to take on Russia, Armenia, and the Kurds at the same time for there is no way Turkey could win a lasting victory in that contest either militarily or politically. That would be a protracted war generating a lot of fear of Turkey as a "Muslim fundamentalist power waging an anti-Christian war."<sup>84</sup> For now Turkey is deterred. But if Azerbaidzhan's situation deteriorates or Russian threats become too menacing for Ankara and/or Teheran, either of those states could be drawn into the war.

Azerbaidzhan's dependence on oil to reconstruct its economy resembles other Transcaucasian states' dependence on outside economic forces. But they have no foreign options or oil to entice foreigners. Georgian dependence on Russian oil helped bring it under Russian domination. Armenian gas lines through Georgia have been blockaded and sabotaged in Azeri populated districts. Armenia cannot afford to pay for Iranian gas so construction of a pipeline from Iran has been halted.<sup>85</sup> At the same time Armenia has consistently advocated a Russian military presence within it and on its borders with Turkey, precisely to

offset its geostrategic disadvantages.<sup>86</sup>

Accordingly, Russia has been able to use its unique regional leverage to compel not just a political-military presence but also an economic one. It uses its monopoly on existing pipelines to dissuade Azerbaidzhan and Central Asian states from considering new projects for pipelines, especially ones that bypass Russia.<sup>87</sup> It is also literally "muscling in" on Caspian Sea oil and gas deals. At the meeting of the riparian states on the Caspian Sea in October 1993, Russia pushed to define the Caspian Aquatorium, a geographical lake, as a sea. That definition means Baku's loss of all major investigated off-shore oil fields since all waters beyond the 12-mile limit will be declared neutral, putting the sea at the mercy of Russian submarines.<sup>88</sup> Turan radio reported in November 1993 that Russia's representatives openly insisted on this outcome in return for supposed pressure on Armenian forces to withdraw from the occupied territories.<sup>89</sup> As Ben Miller, American director of Ernst & Young's Almaty Office said, "The Russians believe that they have an inherent proprietary interest in the natural resources that they developed during the Soviet period."<sup>90</sup> Or as *The Washington Post* put it, Russia is engaging in "blackmail" towards local oil possessing states.<sup>91</sup>

Since Azeri officials believe that Armenia can only fight as long as it gets Russian supplies; without foreign support they would have little option but to offer what Moscow wants in return for pressure on Armenia and Nagorno-Karabakh. But now Baku has successfully internationalized its policy with NATO, Britain, France, and Turkey, to escape exclusive dependence on Russia. Aliyev, during his visits to Turkey in February and May 1994, allegedly asked for more Turkish arms and trainers to reduce Baku's dependence on Russian arms merchants and assured Turkey that he would only accept Russian forces in the country under CSCE provisions for a multilateral force. He also claimed that he would sign an oil agreement shortly with Western and Turkish firms in return for British and U.S. support of Azerbaidzhan. He decried Russian intervention, claimed to have ordered a finalizing of the oil negotiations, including pipeline routes, and evidently sought Turkish security guarantees.<sup>92</sup> In return Turkey is giving more aid and recently warned Moscow not to send exclusively Russian peacekeeping forces to Azerbaidzhan. Turkey will accept no solution leaving Armenian forces there, and it will veto Russian plans to get the CSCE's Minsk Group formed under Resolution 882 to allow Russian unilateral pressure on both sides, especially on Azerbaidzhan.<sup>93</sup>

The West, too, has now seriously upgraded its attention to the conflict with its potential international repercussions. France announced its willingness to mediate the conflict, provided both sides want that mediation, and its support for the CSCE framework.<sup>94</sup> At the same time President Clinton wrote to Aliyev stating that the anti-Azerbaidzhan amendment in the Freedom Support Act was unjust and that he was seeking to annul

or repeal it in the 1994 aid package to the CIS states. In this connection he emphasized support for the Minsk Group and the CSCE, observing that acceleration of its work for peace will facilitate the unblocking of U.S. aid to Baku.<sup>95</sup>

**Postscript.**

Since these statements came at virtually the same time, one may conclude that there is a growing cooperation among France, Great Britain, Turkey, and the United States on these issues. On May 30, 1994, the British Foreign Office released a Russian governmental letter of April 28, 1994, to its embassy in Moscow. This letter constituted a Russian ultimatum against any oil projects in the Caspian Sea, stating that without Russian approval they "cannot be recognized," thereby threatening not only Azerbaidzhan's oil projects where Lukoil already had a 10 percent share, but also the Chevron-Tengiz and Caspishelf projects in Kazakhstan (led by Mobil, BP, British Gas, Agip, Statoil, Total, and Shell).<sup>96</sup> The letter states:

The Caspian Sea is an enclosed water reservoir with a single ecosystem and represents an object of joint use within whose boundaries all issues or activities including resource development have to be resolved with the participation of all the Caspian countries . . . (It concludes that) any steps by whichever Caspian state aimed at acquiring any kind of advantages with regard to the areas and resources . . . cannot be recognized . . . (and) any unilateral actions are devoid of a legal basis.<sup>97</sup>

This letter is a most instructive action in several regards. First, as reported by the *Financial Times*, it asserts Russia's preemptive rights over Caspian energy ventures and by implication over all energy ventures throughout the CIS.<sup>98</sup> Thus it confirms Ben Miller's insight about Russia's belief in its proprietary and thus imperial rights throughout the CIS over energy.<sup>99</sup> Its date, April 28, 1994, the day before the French and U.S. announcements and as Aliyev was giving orders to expedite the final stages of negotiations on Azerbaidzhan's oil, suggests Moscow knew this foreign pressure was coming and thus sought to make a preemptive strike against it. The demarche's very brutality of tone, and address to Great Britain, confirms that Russia sees this question as an East versus West issue. Unless this letter was also addressed to Baku, and there is no sign of that, the locale of its destination implicitly shows how little regard Moscow has for Azerbaidzhan as an independent sovereign actor in world politics. If London or the West yields, it seems to believe, so will Azerbaidzhan. Moscow seems to accept that if the Azeris and other littoral states are not dominated by Russia they will implicitly revert to a hostile anti-Russian Western sphere of influence. This is the explicit principle underlying Stalin's and Lenin's imperial policies, and much of Tsarist thinking. Therefore this

letter illustrates not only the brutal Mafia-like tactics of Russian policy, but also the continuity of a Brezhnev-like doctrine of diminished sovereignty for the other CIS members. Inasmuch as high officials, like Defense Minister Grachev, reportedly have said that Russia is the CIS, and much policy is conducted along these lines, this letter, as consummation of past policy, displays the continuing imperial impetus underlying Russian policy.

However, that is not the whole story. A second aspect of this episode is that Russia has now been forced to come out into the open. The resort to such specious and spurious arguments that deny states their territorial waters and sovereignty with no basis in fact or international law not only evokes memories of past Soviet brazenness, but it also reflects Moscow's weakness, frustration, and desperation to retrieve its imperial position before it slips away. Although the demarche is clearly menacing in tone, it apparently reflects Russia's awareness that Baku, Paris, Washington, London, and Ankara were on the verge of successfully resisting Moscow's pressure in both the oil and Nagorno-Karabakh issues. It may be the opening shot in a campaign, but it is not a campaign born of strength. In fact, the opposite is true. While Azerbaijan's regime is hopelessly corrupt and unable to prosecute the war effectively or improve conditions at home, it also is not going to fall into Russian hands if its diplomacy is as wily and resolute as it has been, especially if it is supported by the West.<sup>100</sup>

Thus it is clear that an exclusive Russian peacemaking force is unacceptable for Azerbaijan which will only accept a multilaterally directed force.<sup>101</sup> This, of course, is out of the question for Moscow which is trying to push the notion that it alone is both interested and capable of making and enforcing peace in these areas.<sup>102</sup> Yet, at the same time, Moscow rejects any CSCE plan from the Minsk Group and Turkey rejects any unilateral Russian plan because of the implications for Azerbaijan.<sup>103</sup>

Thus in the war and in related energy issues a standoff looms. As *The Economist* points out, energy in the ground is useless. If Azeri or Kazakh oil cannot be safely transported, it is worthless in international affairs. Even if one ignores for the moment the intractable problem of Russian crime that could undermine efforts to ship any oil across state lines, a stalemate appears inevitable between Turkey's threat to block the straits if its pipeline scheme is not approved, and Russia's proprietary claim on the Caspian or its pipeline company's (Transneft) attempts to monopolize the route of shipment.<sup>104</sup> In such a stalemate, everybody loses. Thus Russia was forced to go public and remove any shred of doubt concerning its goals and modus operandi. But it is equally clear that given staunch, tenacious, local, and Western resistance, and Russia's own economic weakness, a Russian imperial outcome can be averted.

### **Concluding Observations.**

All these moves and the deliberate strategy to internationalize the war or at least the negotiations' environment have clearly succeeded in reducing Russian pressure on Azerbaidzhan by using Western leverage against Moscow. Therefore, Russia had to go public in its argument with Great Britain. There is a risk, however that such internationalization will involve too many big political interests in a solution process. That would make it harder to reach a mutually acceptable accord while broadening the agenda or increasing the number of players involved in rivalry with Russia. Undoubtedly any solution, like all other issues involving confirmation in fact of Russian imperial retreat, will also be lengthy, bitter, and nasty, if not sporadically violent.

While the combatants fight for land and sovereignty, the great powers and regional actors jockey for economic leverage over the region's vital assets. Nor do the belligerents and the outside interests refrain from economic warfare, blockades, and sanctions. Here, as elsewhere, economic warfare has become a standard feature of world politics. While those who see economics as taking priority over military issues may be right for the G-7's mutual relationships, in the Caucasus economics and war go together. The naive belief that nobody wishes to start a new cold war or at least a new round of traditional political maneuvering collapses here. For all the talk of alliances and multilateralism, we find even allies competing furiously with each other and with Russia for leverage as Russia employs strong-arm tactics.

In Transcaucasia, control of energy is security and vice versa. While the belligerents in the Nagorno-Karabakh war know their integrity and survival are on the line, an equally serious struggle involving many players goes on behind the scenes with equally portentous consequences. For now this conflict remains a "local war." But tomorrow the whole region may be on fire and its oil is just one of many available flammable materials. On the other hand, it also is clear that local and Western resistance, coupled with Russia's financial exhaustion, can defeat Russian imperial pressure and produce the international pressure needed to bring this war to a halt. Clearly Azerbaidzhan is no pushover for Russia and a Russian empire is not an inevitable result of Muscovite pressures. But the absence of peace means that this pressure will be constant.

These considerations open the door to a U.S. initiative, assuming Washington will take seriously the ramifications of continued fighting for all the states involved; the belligerents, Russia, Turkey, Great Britain, Iran, and the oil interests. Indeed, President Clinton's recent letter to Aliyev is a sign of shifting U.S. intentions and desire to play a more active political role there.<sup>105</sup> No unilateral U.S. military commitment is

needed or recommended to bring about a solution and enforce it over time. Indeed, that would be counterproductive. But a postwar involvement of U.S. personnel (preferably civilian but military support units could be tasked for this) in purely humanitarian intervention to rebuild infrastructure and house and/or maintain refugees on both sides might be a worthwhile investment in peace.

More immediately however, it is desirable that the White House pressure Congress to amend the Freedom Support Act to allow it to send support to both Armenia and Azerbaidzhan. The United States must also create a coalition of Western and other states behind a peace plan that could satisfy both sides and leave their sovereignty intact at least *de jure*, and keep Russia out. In one example, Professor Ronald Grigor Suny of the University of Michigan testified to Congress that the Karabakh Armenians have to accept *de facto* Azeri sovereignty over their land, while Baku must come to terms with those Armenians' *de jure* freedom and autonomy in a not so unitary Azerbaidzhan.<sup>106</sup> The alternative, of course, is continued war which benefits nobody. Such a solution might well stabilize the area, especially if oil and external assistance could start flowing. It also would gradually reduce and terminate the conditions that allow Moscow to exploit ethnic, national, and religious rivalries to regain its empire.

In no way has Russia started this war or been responsible for it. But its policies have deliberately contributed to its prolongation and aggravation with the clear aim of exploiting it for traditional imperial objectives. On the other hand, it is also clear that empire and democracy in Russia are incompatible and that Russia can neither sustain imperial adventures at home or risk them abroad lest it fracture its own fragile domestic consensus or be dragged in to endless wars on its borders.

If Washington and its allies have to become like a broken record, endlessly invoking this refrain, even as they assist Russia, so be it. U.S. interests are not incompatible with an enlightened Russian sense of self-interest that recognizes legitimate Russian regional interests but eschews imperial adventures and Mafia tactics in the name of peacemaking. In fact U.S. and Russian interests are parallel or complementary to each other should that enlightenment take root in Russia. But for it to take place, U.S. policy must not only address itself to Moscow but to Azerbaidzhan and other post-Soviet states. Comprehensive engagement with them is needed because only then can they begin reforming themselves and thereby reduce the opportunities and temptation for Russia or other would-be imperial powers to meddle in their affairs.<sup>107</sup>

This recommendation holds true for all the regions of the former Soviet Union. Reform can contribute to domestic tranquility that ultimately can stabilize the area. But for that reform to work, a long-term process of engagement is essential and indispensable. Otherwise, across the entire Eurasian expanse from Gdansk to Vladivostok, insecurity, violence, and

authoritarian regimes will be the order of the day. The conflicts and linkages described here are not unique to Transcaucasia. Rather, they mirror the state system's current winter of discontent. In Transcaucasia as elsewhere, since economic reform, energy, and security are linked together, as long as peace is lacking, there will be neither security nor energy for anyone seeking this or other regions' oil or gold.

#### **ENDNOTES**

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